The Manitoba Agricultural Credit Corporation Annual Report 2001-2002

MACC
Manitoba Agricultural Credit Corporation

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Bill Uruski
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Gill Shaw
Chief Executive Officer

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Vice-President, Corporate and Program Development

Karen McEachen
Chief Financial Officer

Albert Todosichuk
Vice-President, Program Delivery

Lester Vopni
General Counsel/Corporate Secretary

Working With You To Build Your Future

MACC
Manitoba Agricultural Credit Corporation

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MACC
Manitoba Agricultural Credit Corporation

MACC

Our Vision

A sustainable Manitoba agricultural economy

Our Promise

To participate in meeting the financial requirements of the agricultural community, thereby contributing to a vibrant Manitoba economy that is globally competitive

Our Goals

1. *To be recognized for quality customer service*
2. *To provide unique and essential financial assistance programs facilitating value-added and diversification*
3. *To increase the availability of credit, under reasonable terms and conditions, from traditional financial institutions to Manitoba farmers*
4. *To always be prepared to give priority to the delivery of emergency and special assistance programs for the Province*

Notre vision:

Une économie agricole durable au Manitoba

Notre engagement:

Aider la communauté agricole à répondre à ses besoins financiers de manière à contribuer au développement d'une économie manitobaine vivante et compétitive à l'échelle mondiale

Nos objectifs:

1. *Être reconnu pour la qualité de notre service à la clientèle.*
2. *Offrir des programmes d'aide financière uniques et indispensables qui permettent la valeur ajoutée et la diversification.*
3. *Augmenter la disponibilité du crédit, à des conditions générales raisonnables, que les institutions financières traditionnelles offrent aux agriculteurs manitobains.*
4. *Être toujours prêt à donner priorité à la mise en œuvre de programmes d'urgence et d'aide spéciale pour la province.*

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Minister of Agriculture and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Peter M. Liba, C.M.
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I am pleased to submit the Annual Report of the Manitoba Agricultural Credit Corporation for the period of April 1, 2001 to March 31, 2002.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister

Minister of Agriculture and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

À son Honneur
L'honorable Peter M. Liba, C.M.
Lieutenant-gouverneur du Manitoba
Palais législatif, bureau 235
Winnipeg (Manitoba) R3C 0V8

Monsieur le lieutenant-gouverneur,

J'ai le privilège de vous présenter le rapport annuel de la Société du crédit agricole du Manitoba pour la période du 1er avril 2001 au 31 mars 2002.

Je vous prie d'agréer, Monsieur le lieutenant-gouverneur, l'expression de ma haute considération.

La ministre

Rosann Wowchuk

MACC
Manitoba Agricultural Credit Corporation

Unit 100 - 1525 First Street South
Brandon, Manitoba R7A 7A1
T 204.726.6850 F 204.726.6849

The Honourable Rosann Wowchuk
Minister of Agriculture and Food
165 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mrs. Wowchuk:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Credit Corporation for the fiscal year ending March 31, 2002.

Yours truly,

Bill Uruski
Chair

MACC
Manitoba Agricultural Credit Corporation

Unit 100 – 1525 First Street South
Brandon, Manitoba R7A 7A1
T 204.726.6850 F 204.726.6849

Madame Rosann Wowchuk
Ministre de l'Agriculture
et de l'Alimentation
Palais législatif, bureau 165
Winnipeg (Manitoba) R3C 0V8

Madame la ministre,

Au nom du conseil d'administration, j'ai le privilège de vous présenter le rapport annuel de la Société du crédit agricole du Manitoba pour l'exercice qui s'est terminé le 31 mars 2002.

Je vous prie d'agréer, Madame la ministre, l'expression de mes sentiments respectueux.

Le président,

Bill Uruski

Message from the Chief Executive Officer and the Chair

The past year could not have demonstrated more clearly the realities facing Manitoba and Canadian producers as they attempt to compete in the global agricultural market place. In addition, Canada, as an exporter of the majority of its production, continues to experience the pressures associated with the high health and safety standards required by foreign buyers. Since NAFTA, the number of trade challenges has increased significantly, especially from Canada's major trading partner to the south. It would appear that, as a result of the next U. S. Farm Bill, Canada may be caught in a "cross-fire" of sorts as the protectionist policies of the U.S and its European trading competitors seem poised to escalate. The concept of an international "level playing field" appears to be even more elusive despite the considerable trade negotiations over the last several years. In spite of the trade and subsidy policies affecting the marketplace, Manitoba producers retain their reputation of producing high quality food commodities at very competitive prices.

MACC's mandate is to provide financing at reasonable cost for the young, beginning higher risk farmer as well as those involved in expansion or diversification to establish or enhance the viability of their farm units. A significant increase in MACC's Direct Lending Program was realized during the year as the number of direct and corporate loans increased 19 percent to 653 loans, while the total dollar amount increased 18 per cent to $45.4 million. Stocker loan activity was also up significantly as the number of loans increased by almost 16 percent and total loan dollars increased seven percent. During these times of continuing poor grains and oilseeds commodity prices, our doubtful accounts have remained at very respectable levels.

To alleviate access to capital limitations, increasingly associated with diversification and value-added projects, the corporation introduced the Enhanced Diversification Loan Guarantee Program. The enhancements included fifty million dollars in guarantees, with the capability of leveraging $200 million dollars in private sector financing. Other enhancements were introduced to improve the usefulness and usability of the guarantee. During the 2001-2002, 38 projects were approved, which were associated with $42.4 million in private sector lending for a variety of projects including hogs, dairy, poultry, specialty crop processing, beef and other operations. The current level of activity is unprecedented and improves upon the successes of the original program introduced in 1995-1996.

In January 2002, the Minister of Agriculture and Food announced the Bridging Generations Initiative (BGI) for implementation on April 1, 2002. The Bridging Generations Initiative was developed to assist in the transfer of farm assets between the retiring and next generation farmers.The much anticipated initiative is comprised of six components - direct lending available to both generations involved in the farm transfer process, a special type of direct loan for the transfer of breeding livestock or supply management quota, vendor-held mortgage guarantees, a land lease guarantee component for clients participating in the BGI otherwise and an incentive program to facilitate increased farm management skills – the Management Training Credit. MACC's long standing Young Farmer Rebate is also available to qualifying clients participating in the BGI's direct lending options.

The corporation's Business Function Review, which commenced in the 2000-2001 fiscal year, was completed in the spring of 2001. Following the presentation of an implementation plan to the Minister of Agriculture and Food and Treasury Board, approval to proceed was obtained in the fall of 2001. Implementation commenced with a staff roll out session in December and is scheduled for completion within five years.

The implementation plan includes an important reorganization designed to improve effectiveness and efficiency of operation and increase the level of client service in the delivery of our programs. Another key element is the maximization of the use of information technology in the communication and storage of information critical to customer service, loan processing and administration.

Staff at all levels once again rose to the challenge of a new level of expectation in delivering the corporation's programs. Teamwork, the foundation of any successful operation, continued to be demonstrated by our staff. All MACC staff should be commended for consistently approaching the task at hand with passion, motivation, dedication and respect. Over this past fiscal year, more so than ever, we received numerous compliments from clients related to the personal interest staff took to ensure premium customer service and satisfaction.

We are all very proud of the part we play in helping Manitoba farm families be competitive in the global market place and enjoy a reasonable standard of living.

We would also like to express our sincere appreciation for the support, guidance and understanding of our Board. It was a year of significant accomplishment due in no small part to their very strong commitment to the farming sector of this province.

Gill Shaw
Chief Executive Officer

Bill Uruski
Chairperson

Message du directeur général et du président

L'année écoulée n'aurait pu montrer plus clairement les réalités auxquelles font face les producteurs manitobains et canadiens qui tentent de se tailler une place importante sur le marché agricole mondial. De plus, le Canada, qui exporte la majorité de sa production, continue de subir les pressions associées aux hautes normes de santé et de sécurité exigées par les pays acheteurs. Depuis la signature de l'ALENA, le nombre de défis commerciaux a augmenté de manière importante, particulièrement les défis posés par le partenaire commercial le plus important du Canada. Il est possible que par suite du prochain projet de loi agricole des États-Unis, le Canada sera pris entre deux feux, alors que les politiques protectionnistes des États-Unis et celles de leurs principaux compétiteurs commerciaux européens semblent sur le point se renforcer. Le concept d'un « terrain de jeux à l'échelle internationale » semble devenir encore plus vague malgré les importantes négociations commerciales qui ont été menées au cours des dernières années. En dépit des politiques relatives au commerce et aux subventions qui influencent le marché, les producteurs manitobains conservent leur réputation de producteurs alimentaires de produits de haute qualité à des prix compétitifs.

Le mandat de la Société du crédit agricole du Manitoba consiste à fournir un financement à un coût raisonnable à de jeunes agriculteurs peu expérimentés, ainsi qu'à ceux qui ont entrepris d'élargir ou de diversifier leur production afin d'établir ou d'améliorer la viabilité de leur ferme. Cette année, on compte une augmentation importante du nombre de demandes du programme de prêts directs de la Société du crédit agricole du Manitoba . Le nombre de prêts directs et de prêts aux sociétés a augmenté de 19 % pour atteindre un total de 653 prêts, et le total du montant des prêts a augmenté de 18 % pour s'élever à 45,4 millions. Le nombre de prêts accordés aux éleveurs de bovins de long engraissement a également augmenté de 16 % et le total du montant des prêts a pour sa part augmenté de sept pour cent. Alors que le cours de base du grain et des céréales et oléagineux est toujours bas, nos comptes clients douteux ont conservé un niveau respectable.

Pour pallier le manque d'accès au capital, de plus en plus associées à la diversification et aux projets à valeur ajoutée, la Société a introduit le Programme amélioré de garanties de prêts pour la diversification. Les améliorations résultant de la mise en œuvre de ce programme comprenaient des garanties de 50 millions de dollars, avec un endettement externe de 200 millions de dollars provenant du secteur financier privé. D'autres améliorations ont été établies pour accroître l'utilité et la facilité d'emploi de la garantie. Durant l'année 2001-2002, 38 projets de prêts ont été acceptés, conjointement au prêt de 42,5 millions de dollars provenant du secteur privé et destiné à réaliser une variété de projets relatifs aux porcs, à la volaille, à la transformation des cultures de spécialité, au bœuf et autres. Le niveau d'activité actuel est sans précédent et s'élève grâce au succès qu'a connu le programme original mis en œuvre en 1995-1996.

Au mois de janvier 2002, la ministre de l'Agriculture et de l'Alimentation a annoncé l'initiative Pont entre les générations, qui serait mise en œuvre le 1er avril 2002. Cette initiative a été créée afin de faciliter le transfert de l'actif agricole entre la génération d'agriculteurs qui prennent leur retraite et celle qui prend la relève. L'initiative qui était très attendue comprend six composantes : un prêt direct offert aux deux générations participant au processus de transfert de l'actif agricole, un type particulier de prêt direct pour le transfert du bétail d'élevage ou du contingent prévu pour la régulation d'offre, des garanties de l'hypothèque détenue par le vendeur, une garantie de bail foncier pour les clients prenant part à l'initiative Pont entre les générations, et un programme d'encouragement pour faciliter l'acquisition de meilleures habiletés de gestion agricole(le Management Training Credit). Le programme bien établi de la Société du crédit agricole du Manitoba, Abattement pour jeunes agriculteurs, peut aussi aider des clients qui ont recours aux options de prêts directs consenties dans le cadre de l'initiative Pont entre les générations.

L'étude sur la fonction de gestion (Business Function Review) de la Société, qui a débuté durant l'exercice 2000-2001, a pris fin au printemps 2001. Par suite de la présentation d'un plan de mise en œuvre de la ministre de l'Agriculture et de l'Alimentation et du Conseil du Trésor, l'approbation de procéder à cette mise en oeuvre a été obtenue à l'automne 2001. La mise en œuvre du projet, qui doit se terminer d'ici cinq ans, a commencé au mois de décembre par une séance d'information pour les membres du personnel.

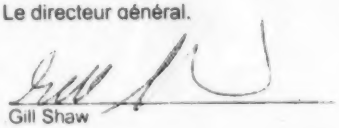
Le plan de mise en œuvre comprend une importante réorganisation afin d'améliorer l'efficacité et l'efficience des opérations, ainsi que la qualité du service à la clientèle en ce qui concerne la prestation de nos programmes. Un autre élément clé du plan est la maximisation de l'utilisation des technologies de l'information dans la communication et le stockage de l'information essentielle pour le service à la clientèle, pour le traitement des prêts et pour la gestion.

Tous les membres du personnel se sont encore une fois montrés à la hauteur du défi posé par les nouvelles attentes quant à la prestation des programmes de la Société. Notre personnel continue son travail d'équipe, sur lequel se fonde toute activité réussie. Tous les employés de la Société du crédit agricole du Manitoba devraient être félicités pour avoir constamment réalisé leurs tâches avec passion, motivation, volonté et respect. Encore plus que jamais au cours du dernier exercice, nous avons reçu de nombreux compliments de la part des clients quant à l'intérêt personnel que les membres du personnel prenaient à assurer un service de première qualité et satisfaisant.

Nous sommes tous très fiers de l'aide que nous avons accordée aux fermes familiales du Manitoba pour qu'elles deviennent compétitives sur le marché mondial et permettent à leurs propriétaires de bénéficier d'un niveau de vie raisonnable.

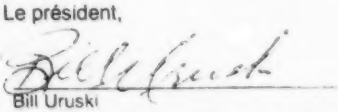
Nous aimerions également exprimer notre sincère appréciation pour le support, les bons conseils et la compréhension de notre Conseil. Cela a été une année de grands accomplissements, grâce en grande partie, à leur engagement profond envers le secteur agricole du Manitoba.

Le directeur général,



Gill Shaw

Le président,



Bill Uruski

Operating Philosophy

ALLIANCE BUILDING

We are committed to building partnerships and relationships within the agricultural community.

SERVICE

We are committed to providing professional, prompt, respectful, orderly, efficient and ethical service.

PRODUCTIVITY

We are dedicated to providing a high volume of high quality products.

PROGRESS

We believe in the future of agriculture as a viable industry in Manitoba and are dedicated to program change and enhancement that addresses unserviced financial needs in the agricultural community.

PROFESSIONAL GROWTH

We are committed to employee development and advancement in an atmosphere of mutual trust that fosters initiative and creativity.

ORGANIZATIONAL STRUCTURE

We are committed to defining roles and responsibilities that will support efficient decision making, orderly flow of information, and effective program delivery.

COMMUNICATION

We believe that effective and open communication, based on listening and responding, is integral to a successful organization.

Principes directeurs

FORGER DES ALLIANCES

Nous nous engageons à établir des partenariats et des relations au sein de la communauté agricole.

SERVICE

Nous nous engageons à fournir un service professionnel, rapide et efficace, de façon ordonnée, respectueuse et juste.

PRODUCTIVITÉ

Nous faisons le nécessaire pour offrir une grande quantité de produits de haute qualité.

PROGRÈS

Nous croyons que l'agriculture est une industrie viable et pleine d'avenir au Manitoba, et nous faisons le nécessaire pour adapter et améliorer nos programmes afin de répondre aux besoins financiers non satisfaits des agriculteurs.

DÉVELOPPEMENT PROFESSIONNEL

Nous nous engageons à favoriser le perfectionnement et l'avancement du personnel dans une atmosphère de respect mutuel qui encourage l'initiative et la créativité.

STRUCTURE DE L'ORGANISATION

Nous nous engageons à définir les rôles et responsabilités afin de garantir une prise de décisions efficace, une bonne circulation de l'information et une mise en œuvre efficace des programmes.

COMMUNICATION

Nous croyons qu'une communication efficace et ouverte, basée sur le dialogue, est indispensable à la réussite de toute organisation.

2001-2002 YEAR IN REVIEW

TO BE RECOGNIZED FOR QUALITY CUSTOMER SERVICE

In today's environment, a commitment to providing quality customer service demands that we make advances in all areas of our corporation.

As with most organizations, information technology improvements are a priority. Our concentration this year, as in the past, has been on our customized Electronic Client Loan Information Profile System (ECLIPS). We took a major step, in the direction of providing improved access to this system, by enabling MACC's remote (non-head office) users to remain logged on to ECLIPS for extended periods without incurring significant long distance fees. Eliminating the dial-up connection means that our staff can obtain client related loan information and respond to client inquiries more efficiently.

Originally developed for MACC's direct lending portfolio, the capabilities of the ECLIPS system have also been extended to include our guarantee programs. As of April 1, 2001, a customised addition was implemented for the Guaranteed Operation Loan Program. Over the course of the year, we developed and implemented additions for both the Manitoba Cattle Feeder Associations Loan Guarantee and the Diversification Loan Guarantee Programs (DLG) as well. With the incorporation of the DLG Program in ECLIPS, remote users have the ability to input data directly into the system for the first time ever.

Other developments have made it easier to input and retrieve information from the ECLIPS system. The forms used to update clients on the status of their loans and remind them of upcoming regular scheduled payments are now filed electronically. With this capability, we have essentially eliminated printing multiple paper copies for filing in the field, regional and head offices.

In providing quality customer service, MACC recognizes the importance of program awareness. We continued to update our promotional materials and procedural manuals throughout the year in order to have the most accurate and current information available to the public. Staff was also involved in a significant number of special events to further promote the corporation and its services. A special effort this year was our participation in the Producers Making it Happen conference held in March 2002.

MACC's diligent search for ways to continually improve its customer service is evidenced by our Business Function Review project. In the 2000-2001 fiscal year, we engaged an independent consultant to examine our organization and make recommendations for improving our internal structure, systems and processes and to further utilize information technologies. This past year a Transition Plan was put into motion that provides for a series of enhancements to the way in which we conduct our business and serve our clients. By 2001-2002 year end, we were able to accomplish a number of items in Phase 1 of the plan. A noteworthy achievement was the piloting of our Producer Inquiry form aimed at ensuring consistent, high quality customer service while at the same time providing MACC with critical information on such areas as unmet client needs and anticipated work volumes. We also held a series of encouraging client focus groups aimed at clarifying producer interests, service expectations, frustrations and otherwise obtaining general feedback on MACC programming. The ongoing consideration of this information will be a key component in our future developmental plans.

TO PROVIDE UNIQUE AND ESSENTIAL FINANCIAL ASSISTANCE PROGRAMS FACILITATING VALUE-ADDED AND DIVERSIFICATION

MACC remains committed to staying abreast of developments in the agriculture industry and finding new ways to assist producers in their diversification and adaptation plans.

This past year started off with the implementation of the Enhanced Diversification Loan Guarantee (DLG+) Program. On April 1, 2001, MACC introduced this program aimed at helping producers diversify their operations through innovative methods and value-added projects by guaranteeing project funds borrowed from private lending institutions. This enhanced program was built on the successful original DLG Program (launched in 1995). Research and client feedback showed that there were areas where the program could be improved upon and made accessible to a broader range of projects. With enhanced features such as the removal of both the maximum loan amount and limitations on the number of clients per application, MACC is better able to accommodate the needs of higher capital projects through this unique program.

2001-2002 YEAR IN REVIEW

Throughout the year we conducted analyses of several agricultural markets including alternative and traditional livestock sectors. As a result of these efforts, MACC introduced enhancements to ensure that programs continue to meet the changing needs of today's producers. For example, MACC adjusted its maximum lending limit for various livestock types under its Direct Lending Program. Valuations have been modified to reflect current market value for all classes of livestock.

In response to client feedback, MACC also examined issues and options relating to multi-capacity participation in MACC programming including spousal participation and Young Farmer Rebate implications. Staff from all divisions within MACC was involved in project research and analysis and by year-end, the committee was able to submit a series of recommendations for approval. Implementation of the recommendations is anticipated in the upcoming year.

TO INCREASE THE AVAILABILITY OF CREDIT, UNDER REASONABLE TERMS AND CONDITIONS, FROM TRADITIONAL FINANCIAL INSTITUTIONS TO MANITOBA FARMERS

In addition to its direct lending portfolio, MACC offers a variety of loan guarantee programs. By providing risk-mitigating guarantees to participating private lending institutions, MACC is able to help Manitoba producers obtain various types of financial support that may otherwise not be available to them. The April 2001 implementation of the Enhanced Diversification Loan Guarantee (DLG+) Program, was the newest addition to MACC's portfolio of guarantee programs.

The Guaranteed Operating Loan Program has been another key partnership program. MACC commenced an extensive review of the facets of this program to evaluate its on-going capacity to meet the emerging needs of both the producers and the lenders. The process, aimed at the development and implementation of a more innovative partnership product, will continue in the 2002-2003 fiscal year.

TO ALWAYS BE PREPARED TO GIVE PRIORITY TO THE DELIVERY OF EMERGENCY AND SPECIAL ASSISTANCE PROGRAMS FOR THE PROVINCE

MACC also remains committed to administering and facilitating financial incentive and disaster relief programs deemed essential by the Province.

In 2001-2002, MACC developed the Bridging Generations Initiative in response to the growing percentage of Manitoba producers approaching retirement age. The program recognizes the needs of the younger generation for financing assistance balanced against the retiring producer's need for income. The Minister of Agriculture and Food announced the initiative in March 2002 with the various programs available as of April 1, 2002.

The renewal of the Comprehensive Refinancing Program was another important milestone last year. Additional funding was secured for this program to provide refinancing capital for MACC clients that are experiencing financial difficulty and seeking debt mediation assistance.

LOOKING TO THE FUTURE

As we move forward, the need for MACC services and products will be greater than ever. In a time when the agricultural community is faced with a variety of financial challenges and issues, MACC's traditional role, as a direct lender providing credit with reasonable terms and conditions, remains relevant. MACC will be increasingly called upon to provide products that fill gaps in agricultural credit. As greater emphasis is placed on value-added and diversification initiatives to foster the vitality and viability of rural Manitoba, MACC will continue to play an important role by partnering with private sector lenders to facilitate credit for these activities.

MACC will continue to strengthen its relationships with the agricultural sector by consulting with producer groups, various agencies and financial institutions to determine trends and needs for specialized products for our clients, partners and stakeholders.

In order to achieve quality customer service, MACC will utilize the outcomes of client focus groups to better address client needs by further enhancing our client services and products.

As we implement our Business Function Review, many elements are underway to improve our internal structure, systems and processes to support our long-term direction. We strive to achieve full potential in all aspects of business, by capitalizing on our strengths and making quality improvements.

April 2002 marks the implementation of our new initiative, Bridging Generations. This initiative assists in the transfer of family farms between generations. MACC strives to help family farms be profitable, sustainable and diversified to ensure the industry's future and maintain Manitoba's position in today's international marketplace. We foresee that the Management Training Credit component of the Bridging Generations Initiative will enhance the knowledge base and financial management skills of Manitoba's emerging producers.

MACC, through the Enhanced Diversification Loan Guarantee Program, will continue to partner with participating lending institutions to support value-added and diversification projects that otherwise might not be financed. The cumulative benefits of rural development activities from these projects will have a positive economic impact on rural communities, create local employment, and will increasingly strengthen the provincial economy.

MACC recognizes that its staff is its most essential resource in meeting the corporation's objectives. Staff surveys, teambuilding exercises and working committee participation will strengthen staff involvement and contribution in the future activities of the corporation

MACC will, at all times, remain poised to give priority to deliver special and emergency financial programming as the need arises in the Province of Manitoba.

MACC will foster the vitality of Manitoba's agricultural producers and rural communities and their opportunities for a sustainable future by providing stable and innovative financing options for the establishment, expansion and diversification of viable agricultural enterprises.

FINANCING OF THE CORPORATION

Beginning in 1959-1960, its first full year of operation, the corporation borrowed its capital requirements from the Province of Manitoba. The capital funds at that time remained with the corporation to be reused for lending purposes and the interest charged on this debt was paid annually to the Province.

In 1977, arrangements were made to repay these capital funds and the fixed interest charges over an amortization period as consistent as possible with the term over which these funds were loaned to farmers. Subsequent capital advance requirements and terms of repayment were determined annually based on the lending activity of the corporation for that year.

Balance Sheet

Deficit Account

1985-1986 brought about a change in the method of funding provided by the Province for the corporation's operations. This change eliminated any further funding of MACC's allowance for impaired loans and required a return to the Province of funds provided for this allowance prior to March 31, 1985.

Because of this funding change, the corporation continues to operate from an accumulated deficit position which is now $26,096,689. This is essentially the allowance for impaired loans total of $20,904,836 at March 31, 2002, less the reserve for working capital and other provisions in the amount of $5,191,853.

Statement of Revenue and Expenditure

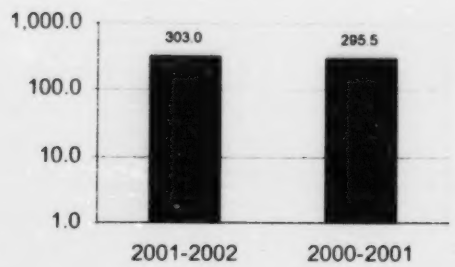
The net costs of operation of the corporation were $5,657,978 (expenditures of $28,340,466 less revenue of $22,682,488) in 2001-2002 as compared with $5,119,681 (expenditures of $28,731,142 less revenue of $23,611,461) in the previous fiscal year.

To offset these net costs of operation, the Province provided $3,943,270 ($3,293,662 from appropriations of Manitoba Agriculture and Food and $289,602 from Manitoba Finance valuation account) resulting in an operating excess of expenditures over revenue of $1,425,106 for 2001-2002.

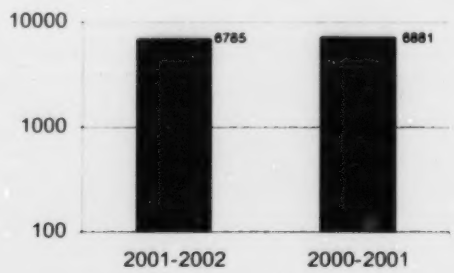
LOAN PORTFOLIO

As at March 31, 2002, MACC's total loan portfolio decreased by 96 loans but increased by $7,542,357over the last year.

TOTAL $ OF LOANS (Millions)



TOTAL NUMBER OF LOANS



YOUNG FARMER REBATE

The Young Farmer Rebate was introduced in 1978-1979 to assist young, beginning and expanding farmers in the development, re-organization and expansion of their farm operations. The rebate is aimed at reducing the cost of borrowing during the critical start-up stage of production.

The current Young Farmer Rebate was implemented during 1993-1994. Eligible young farmers, under the age of 40, receive a rebate of 2% on the first $100,000 of principal on Direct Loans or Cooperative, Corporate and Partnership Loans, with an interest term of five years or greater - to a maximum lifetime rebate of $10,000.

During 2001-2002, there were young farmer rebates of $1.7 million as compared to rebates of $1.6 million during 2000-2001. The majority of young farmer rebates are applied to Direct Loans. Of the 2001-2002 direct lending activity to individuals, young farmers were approved for 72% of the loan dollar volume which is equal to the 72% in 2000-2001.

YOUNG FARMER REBATE (Millions)

DIRECT LENDING PROGRAM

MACC's Direct Lending Program provides eligible Manitoba farmers with financing for fixed-terms up to thirty years. These loans provide clients with competitive interest rates and no prepayment penalties. Clients also have the control and flexibility of "locking in" for the full amortization period of the loan or selecting a five-year renewable interest term.

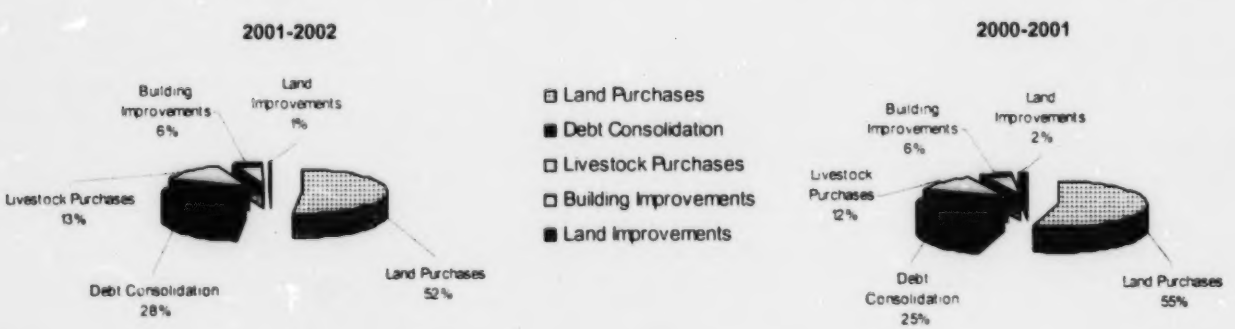
Direct Lending Program Activity

	March 31, 2002		March 31, 2001	
	Number	Amount	Number	Amount
Direct Loans	639	$ 43,802,420	539	$ 37,081,232
Cooperative, Corporate and Partnership Loans	14	1,558,640	8	1,404,792
Stocker Loans	425	27,648,285	367	25,965,842
Total Lending Activity	**1,078**	**$ 73,009,345**	**914**	**$ 64,451,866**

The current delivery model of Direct Loans was introduced in 1978-1979 to provide financial assistance to Manitoba farmers in establishing, developing and operating their farms.

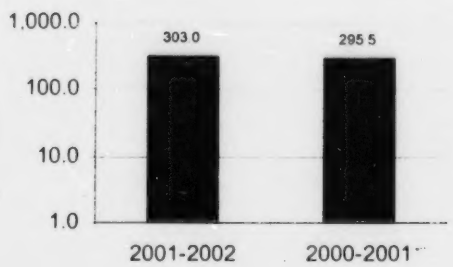
During 2001-2002, there were 639 loans approved totalling $43,802,420 as compared to 539 loans approved totalling $37,081,232 during 2000-2001. Agricultural lending activities in 2001-2002 were distributed as indicated below with the major allocations of activity to land purchase loans of 52% and debt consolidation loans of 28%.

APPROVED LOANS BY PURPOSE



As at March 31, 2002, MACC's total loan portfolio decreased by 96 loans but increased by $7,542,357over the last year.

TOTAL $ OF LOANS (Millions)



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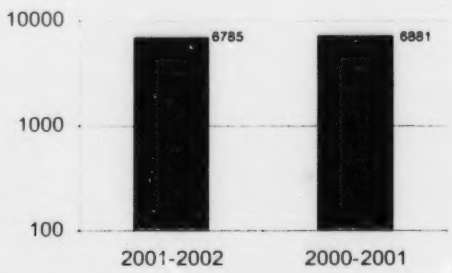

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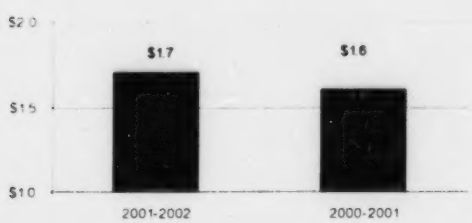

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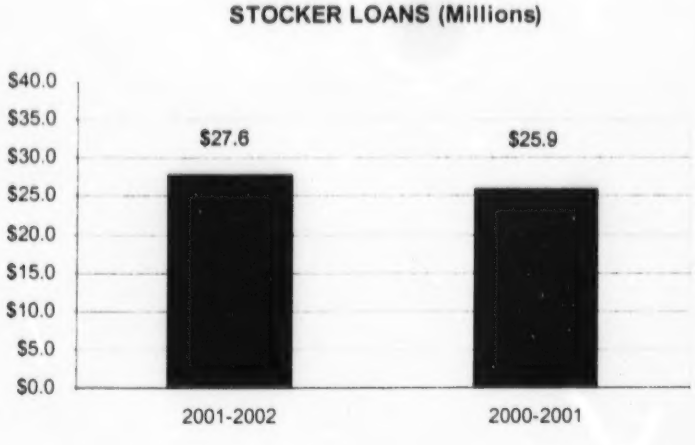
APPROVED LOANS BY PURPOSE

The Cooperative, Corporate and Partnership Loans were introduced in 1978-1979 to provide multiple farm operators with intermediate and/or long term loans.

During 2001-2002, there were 14 loans approved totalling $1,558,640 as compared to 8 loans approved totalling $1,404,792 in 2000-2001.

Stocker Loans were introduced in 1975-1976 to provide livestock inventory financing to qualified livestock producers.

During 2001-2002, there were 425 loan approvals for 41,596 head, totalling $27,648,285 as compared to 367 loan approvals for 41,052 head, totalling $25,965,842 for 2000-2001.



EMERGENCY AND/OR SPECIAL ASSISTANCE PROGRAMS

From time to time there exists a group of agricultural producers and other Manitobans that require special financial assistance that the Manitoba Government deems necessary to provide.

When called upon, MACC plays a vital role in this area acting as the vehicle for the delivery of these special programs.

Emergency and/or Special Assistance Program Activity

	March 31, 2002		March 31, 2001	
	Number	Amount	Number	Amount
Enhanced Flood Proofing Assistance Loans	31	$ 2,111,668	23	$ 3,554,487
Comprehensive Refinancing Loans	8	757,062	15	936,118
Total Lending Activity	**39**	**$ 2,868,730**	**38**	**$ 4,490,605**

In cooperation with Manitoba Conservation, MACC enhanced the Flood Proofing Loan Assistance Program in 1998-1999. Financial assistance was made available to Manitobans who were affected by the 1997 Red River Valley flood to undertake raising, moving and diking of buildings necessary for flood proofing.

The deadline for applications to Manitoba Conservation under this program was September 1, 1999. The loan application deadline to MACC was September 1, 2001.

During 2001-2002, there were 31 loans approved totalling $2,111,668 as compared to 23 loans approved totalling $3,554,487 in 2000-2001.

Cooperative, Corporate and Partnership Loans

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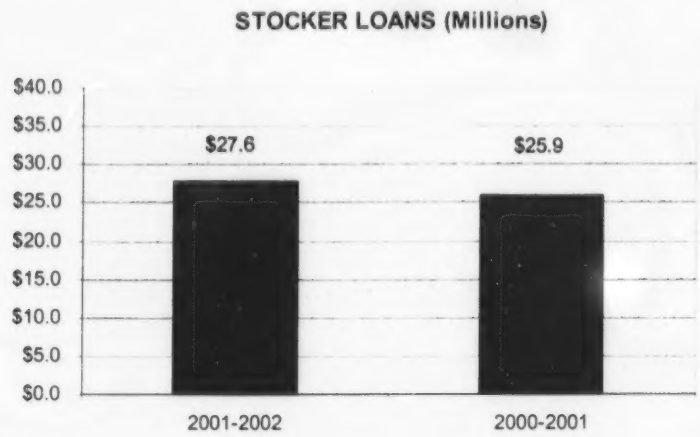

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During 2001-2002, there were 31 loans approved totalling $2,111,668 as compared to 23 loans approved totalling $3,554,487 in 2000-2001.

Comprehensive Refinancing Loan Program

The Comprehensive Refinancing Loan Program was introduced in 1985-1986 to provide loans to farmers or corporate farms that were in financial difficulty. The program was enhanced in 1998-1999 when $5 million was made available specifically for lending to existing MACC clients in financial difficulty. The interest rate was set at 6.50% for the first five years of each loan. An additional $5.0 million was made available in 2001-2002 with the same interest rate.

During 2001-2002, there were 8 approvals totalling $757,062 as compared to 15 approvals for $936,118 in 2000-2001.

Manitoba Farm Mediation Board

During 1987-1988, loan assistance to clients of the Manitoba Farm Mediation Board was identified to be in the category of "special programs".

In 2001-2002, there were Manitoba Farm Mediation Guarantees associated with 5 loans totalling $474,726 as compared to 10 loans totalling $647,399 during 2000-2001.

GUARANTEED LOAN PROGRAMS

The Manitoba Agricultural Credit Corporation is committed to meeting the financing requirements of Manitoba's agricultural producers by working in partnership with the major chartered banks, credit unions, and caisse populaires. These partnerships enable agricultural producers, with reasonable business plans and debt servicing capabilities, to access credit where it would not otherwise be available due to factors such as insufficient equity or security and unproven projects. MACC's guarantees encourage private lenders to participate in areas that they may otherwise consider too high risk.

Guarantee Program Activity

	March 31, 2002		March 31, 2001	
	Number	Amount	Number	Amount
Guaranteed Operating Loans	100	$ 13,986,000	154	$ 19,888,650
Feeder Association Loan Guarantees	10	26,629,975	10	27,892,108
Enhanced Diversification Loan Guarantees	38	42,380,650	35	25,810,000
Total Lending Activity	**148**	**$ 82,966,625**	**199**	**$ 73,590,758**

Guaranteed Operating Loan Program

This program was introduced in 1983-1984 to provide new lines of credit for operating expenses. The corporation guarantees each participating lending institution 12 ½% of the respective total value of loans made under this program, with a maximum of $100 million combined total to all participating lending institutions.

During 2001-2002, there were 100 loan guarantees totalling $13,986,000 approved as compared to 154 loan guarantees approved totalling $19,888,650 during 2000-2001.

Manitoba Cattle Feeder Associations Loan Guarantee Program

This program was introduced in 1991-1992 to assist Manitoba residents in establishing Feeder Associations and enable them to borrow funds on the strength of a government guarantee to the lender. For each association the corporation provides a guarantee to the individual lending institutions, based on 25% of the amount of the loan, to a maximum guarantee of $1,250,000 per association.

At the end of 2001-2002, there were 10 Feeder Associations with a total of $26,629,975 in approved guaranteed loans (for 174 active members) as compared to 10 Feeder Associations with a total of $27,892,108 in approved guaranteed loans (for 186 active members) at the end of 2000-2001.

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Enhanced Diversification Loan Guarantee Program

The Diversification Loan Guarantee Program was introduced during 1995-1996 to assist Manitoba producers in diversifying their current operation and/or add value to commodities produced on the farm. The Enhanced Diversification Loan Guarantee program that was introduced in 2001-2002 replaced this program.

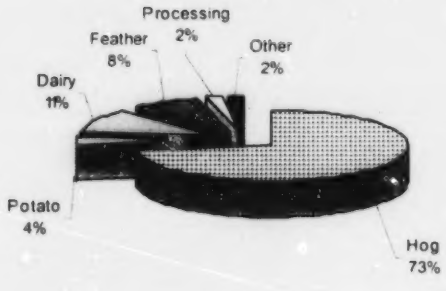
During 2001 - 2002, there were 38 Enhanced Diversification Loan Guarantees (DLG+) approved for a total of $42,380,650 as compared to 35 Diversification Loan Guarantees approved for a total of $25,810,000 during 2000-2001.

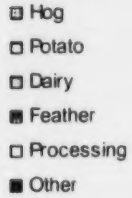
Diversification Loan Guarantee Program Portfolio

At the end of 2001-2002, there were 126 active Diversification Loan Guarantees totalling $113,522,704 as compared to 92 active Diversification Loan Guarantees totalling $76,133,054 at the end of 2000-2001.

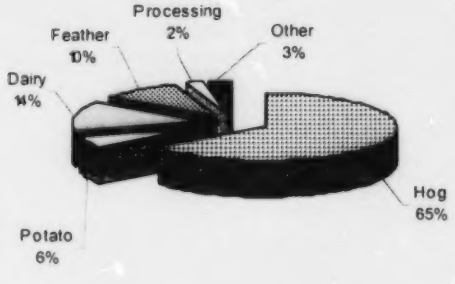
ACTIVE DLG'S BY SECTOR

2001-2002





2000-2001



PROPERTY MANAGEMENT

The corporation acquires title to property as a result of debt settlement negotiations or by foreclosure proceedings. MACC's policy is to return property to the farmers by either selling or leasing. Whenever possible, MACC leases the property to the original land owner.

Property Activity

	March 31, 2002 Acres	March 31, 2001 Acres
Property held at beginning of year	**15,396**	22,027
Sales	**3,809**	7,170
Acquisitions	**1,036**	539
Property Held at End of Year	**12,623**	**15,396**

Short Term Leases

Properties with expired leases are offered for sale by public tender. Properties that are not sold are tendered for lease with terms up to five years.

As at March 31, 2002, there were 13 Short Term Leases consisting of 3,234 acres and 548 acres committed to new tenants with lease agreements starting April 1, 2002.

Land Lease Option Program

From 1974 to 1977, MACC purchased farmland from willing sellers and leased it to qualifying farmers. The corporation acquired a total of 223,600 acres for $22.6 million.

As at March 31, 2002, there were 22 Long Term Leases and Agreements for Sale on 8,681 acres.

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MACC
Manitoba Agricultural Credit Corporation

Unit 100 – 1525 First Street S.
Brandon MB R7A 7A1
T 204.726.6850
F 204.726.6849

June 29, 2002

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting policies. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgments. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that reliable financial information is produced and assets are properly accounted for and safeguarded from loss. The Board of Directors, which oversees management's responsibilities for financial reporting, reviews and approves the financial statements. The Board of Directors meets with management and the auditors to discuss the audit, financial reporting, and related matters.

G. Shaw
Chief Executive Officer

K. McEachen
Chief Financial Officer

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Agricultural Credit Corporation

We have audited the balance sheet of The Manitoba Agricultural Credit Corporation as at March 31, 2002, the statement of revenue and expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 29, 2002

The Manitoba Agricultural Credit Corporation

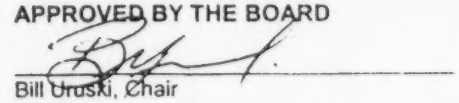
Balance Sheet

As at March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Assets		
Cash (Note 3)	$ 12,645	$ 7,382
Receivables (Notes 2 and 6)		
Mortgages (Note 4)	275,809	270,641
Other (Note 5)	19,254	17,910
Long - term funding commitments - Province of Manitoba (Note 7)	5,346	4,940
Real estate (Notes 2 and 12)	1,972	2,184
	$ 315,026	$ 303,057
Liabilities and Deficit		
Accounts payable		
Unearned real estate revenue	$ 28	$ 32
Other	1,132	1,068
Provision for Young Farmer Rebate	524	511
Provision for losses on guaranteed loans (Notes 2 and 11)	7,899	6,862
Provision for employee pension benefits (Notes 2 and 9)	5,117	4,711
Advances from Province of Manitoba (Note 8)	326,423	314,545
	341,123	327,729
Deficit		
Balance, beginning of year	(24,672)	(23,035)
Excess of expenditure over revenue	(1,425)	(1,637)
Balance, end of year (Note 17)	(26,097)	(24,672)
	$ 315,026	$ 303,057

Contingent Liabilities (Note 11)

APPROVED BY THE BOARD



DIRECTOR

Bill Uruski, Chair

DIRECTOR

Sandy Yanick, Vice-Chair

The Manitoba Agricultural Credit Corporation

Statement of Revenue and Expenditure

for the year ended March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Revenue		
Interest		
Mortgages	$ 20,509	$ 20,075
Other	1,225	1,453
Cash on deposit with Province of Manitoba	574	556
	22,308	22,084
Province of Manitoba - Net Funding (Note 15)	4,639	3,832
Services donated by Province of Manitoba (Note 2)	109	130
Real estate (Note 10)	188	534
Change in provision for decline in real estate values (Note 12)	35	40
Other	43	823
	27,322	27,443
Expenditure		
Administration costs		
Salaries and benefits (Note 2)	4,064	3,994
Impaired loan losses (Note 2 and 6)	766	757
Change in provision for losses on guaranteed loans	685	1,203
Assistance under the Manitoba Farm Mediation Board Program	95	73
Young Farmer Rebate	1,682	1,562
Flood proofing initiative administration	152	159
Other administration costs	1,037	1,236
	8,481	8,984
Financing charges		
Interest on advances from Province of Manitoba	20,266	20,096
	28,747	29,080
Excess of expenditure over revenue	$ 1,425	$ 1,637

The Manitoba Agricultural Credit Corporation

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Other (Note 5)	**19,254**	17,910
Long - term funding commitments - Province of Manitoba (Note 7)	**5,346**	4,940
Real estate (Notes 2 and 12)	**1,972**	2,184
	$ 315,026	$ 303,057
Liabilities and Deficit		
Accounts payable		
Unearned real estate revenue	**$ 28**	$ 32
Other	**1,132**	1,068
Provision for Young Farmer Rebate	**524**	511
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APPROVED BY THE BOARD

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Excess of expenditure over revenue	$ 1,425	$ 1,637

The Manitoba Agricultural Credit Corporation

Statement of Cash Flows

for the year ended March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	**$ (1,425)**	$ (1,637)
Items not involving cash		
Change in provision for impaired loan losses	**423**	566
Gain on disposal of real estate	**(18)**	(347)
Change in provision for decline in real estate value	**(35)**	(40)
Change in provision for Young Farmer Rebate	**13**	(633)
Change in provision for losses on guaranteed loans	**1,037**	1,111
Change in provision for employee pension benefits	**406**	348
Mortgage loans disbursed	**(48,889)**	(38,446)
Mortgage principal received	**42,763**	31,383
	(4,300)	(6,058)
Increase in other receivables	**(1,592)**	(1,676)
(Increase) decrease in mortgage receivables	**376**	(508)
Increase in accounts payable	**60**	38
	(1,156)	(2,146)
Cash used for operating activities	**(6,881)**	(9,841)
Investing activities		
Proceeds from real estate disposals	**750**	1,783
Real estate acquisitions	**(484)**	(148)
Cash provided by investing activities	**266**	1,635
Financing activities		
Advances received from Province of Manitoba	**81,800**	65,770
Advances repaid to Province of Manitoba	**(69,922)**	(61,932)
Cash provided by financing activities	**11,878**	3,838
Net increase (decrease) in cash	**5,263**	(4,368)
Cash, beginning of year	**7,382**	11,750
Cash, end of year	**$ 12,645**	$ 7,382

The Manitoba Agricultural Credit Corporation

Statement of Cash Flows

for the year ended March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	$ (1,425)	$ (1,637)
Items not involving cash		
Change in provision for impaired loan losses	423	566
Gain on disposal of real estate	(18)	(347)
Change in provision for decline in real estate value	(35)	(40)
Change in provision for Young Farmer Rebate	13	(633)
Change in provision for losses on guaranteed loans	1,037	1,111
Change in provision for employee pension benefits	406	348
Mortgage loans disbursed	(48,889)	(38,446)
Mortgage principal received	42,763	31,383
	(4,300)	(6,058)
Increase in other receivables	(1,592)	(1,676)
(Increase) decrease in mortgage receivables	376	(508)
Increase in accounts payable	60	38
	(1,156)	(2,146)
Cash used for operating activities	(6,881)	(9,841)
Investing activities		
Proceeds from real estate disposals	750	1,783
Real estate acquisitions	(484)	(148)
Cash provided by investing activities	266	1,635
Financing activities		
Advances received from Province of Manitoba	81,800	65,770
Advances repaid to Province of Manitoba	(69,922)	(61,932)
Cash provided by financing activities	11,878	3,838
Net increase (decrease) in cash	5,263	(4,368)
Cash, beginning of year	7,382	11,750
Cash, end of year	$ 12,645	$ 7,382

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

1. Nature of Operations

The Manitoba Agricultural Credit Corporation was incorporated under The Agricultural Credit Corporation Act of Manitoba. Under this Act, the corporation provides and administers financial assistance to farmers to assist in the development of farms in Manitoba.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

b) Allowances for Impaired Loans

The allowances for impaired loans are determined annually by a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value and the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, the corporation establishes a further allowance for impaired loans. This additional allowance for loan impairment represents management's best estimate of probable losses in its entire loan portfolio, due to potential future declines in the value of the real estate taken as the underlying security for these loans.

Current year provisions for impaired loans are charged to administration expenditure as impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

c) Provision for losses on guaranteed loans

The provisions for losses on guaranteed loans are determined annually by a review of individual guarantees. The provisions represent management's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. These provisions would cover principal, accrued and unpaid interest, and amounts recoverable.

Current year provisions for losses on guaranteed loans are charged to administration expenditure. Actual claims paid are charged to the provisions for losses on guaranteed loans. Recoveries are credited against current year's expenditure.

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

2. Significant Accounting Policies (continued)

d) Real Estate Acquired in Settlement of Loans

Real estate that is acquired in settlement of loans through foreclosures and voluntary transfers of title is recorded at the lower of the recorded value of the loan and the appraised value of the real estate at acquisition date. Subsequent declines or increases in estimated realizable value are not recorded. Real estate is stated net of a provision for decline in real estate value.

e) Real Estate Under Long-Term Lease

Real estate that was acquired under the land lease program for long-term leases is recorded at cost.

f) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

g) Donated Services

The Province of Manitoba provides certain administrative services at no charge to the corporation. The estimated fair value of $108,870 for these services is included in salaries expenditure and donated services revenue in these financial statements.

h) Measurement Uncertainty – Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash

	2002	2001
	(000s)	(000s)
Cash on hand and in bank	$ 265	$ 1,174
Cash on deposit with Province of Manitoba	12,380	6,208
	$ 12,645	$ 7,382

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

4. Mortgages Receivable

a)

			2002 (000s)		2001 (000s)
Amounts are due over the following terms:					
1 year	- Accrued interest	$	12,134	$	12,432
	- Arrears		2,041		1,959
	- Prepayments		(12,617)		(11,321)
	- Regular instalments		23,516		22,153
			25,074		25,223
2 years	- Regular instalments		24,244		22,792
3 years	- Regular instalments		24,961		23,289
4 years	- Regular instalments		24,356		23,851
5 years	- Regular instalments		24,624		22,919
Over 5 years	- Regular instalments		169,647		169,084
			292,906		287,158
Less: Allowance for impaired loans			17,097		16,517
		$	275,809	$	270,641

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

4. Mortgages receivable (continued)

b)

Terms of mortgages receivable

Direct lending program mortgages and special assistance program mortgages are fixed rate mortgages which have an average yield as follows.

	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
Less than 6.00%	$ 6,768	$ -	$ 6,768
6.01% to 7.00%	116,061	26,748	142,809
7.01% to 8.00%	113,400	2,713	116,113
More than 8.00%	26,257	959	27,216
	$ 262,486	$ 30,420	$ 292,906

These mortgages have maturities as follows:

	Average Interest Rate	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
1 to 4 years	7.806%	$ 12,531	$ 1,500	$ 14,031
5 to 9 years	7.198%	70,372	25,068	95,440
10 to 14 years	7.268%	99,511	2,907	102,418
15 to 19 years	7.229%	53,896	836	54,732
20 to 24 years	7.397%	20,992	109	21,101
More than 25 years	7.645%	5,184	-	5,184
		$ 262,486	$ 30,420	$ 292,906

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

5. Other Receivables

	2002 (000s)	2001 (000s)
Stocker loan advances	$ 18,882	$ 18,122
Flood proofing loan initiative	3,859	3,344
Lease revenue	80	121
Sale of real estate	0	241
Miscellaneous	203	9
	23,024	21,837
Less: Allowance for impaired loans	3,770	3,927
	$ 19,254	$ 17,910

6. Allowances for Impaired Loans

	2002 (000s)	Provision (000s)	Write-Offs (000s)	2001 (000s)
Direct lending mortgages	$ 11,584	$ 623	$ 75	$ 11,036
Special assistance mortgages	5,513	138	106	5,481
	17,097	761	181	16,517
Stocker loan advances	2,616	(3)	78	2,697
Flood proofing loan initiative	1,112	0	30	1,142
Other	42	8	54	88
	3,770	5	162	3,927
	$ 20,867	$ 766	$ 343	$ 20,444

7. Long-term funding commitments – Province of Manitoba

	2002 (000s)	2001 (000s)
Employee Severance	$ 229	$ 229
Employee Pension Benefits	5,117	4,711
	$ 5,346	$ 4,940

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

8. Advances from Province of Manitoba

In accordance with Province of Manitoba practices, the corporation must repay advances according to the amortization schedule or be subject to a prepayment penalty. The mark to market calculation for any principal prepayment will be the present value of the cash flows on the principal being repaid against the cash flows using a yield to maturity on the date of the payment compounded semi-annually that a non-callable Province of Manitoba Bond would carry, if issued in Canadian dollars in Canada, at 100% of its principal amount on the payment date with a term to maturity equal to the remaining term to maturity of the loan being repaid.

	2002 (000s)	2001 (000s)
Advances are repayable in equal annual blended instalments of principal and interest, with interest rates from 2.600% to 8.000%. Maturities of principal by fiscal year are as follows:		
2002	$ -	$ 52,417
2003	56,511	25,322
2004	28,097	25,818
2005	27,604	24,484
2006	27,783	23,053
2007	28,288	22,788
2008 through 2026	158,140	140,663
	$ 326,423	$ 314,545

9. Provision for employee pension benefits

Corporation employees are eligible for defined benefit pensions under The Manitoba Civil Service Superannuation Act. In accordance with the provisions of this Act, the corporation contributes 50% of the pension disbursements made to retired employees.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as at December 31, 1998. Based on the 1998 valuation for "Future Indexing", the actuarial liability for unfunded pension benefits is estimated to be $5,116,572 at March 31, 2002 (2001 - $4,710,100).

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

10. Real estate revenue

	Proceeds (000s)	Book Value (000s)	2002 (000s)	2001 (000s)
Sales to lessees	$ 224	$ 168	$ 56	$ 291
Sales by public tender	526	564	(38)	56
	$ 750	$ 732		
Net gain on sale of real estate			18	347
Lease revenue from real estate acquired in settlement of loans and from long-term leases			184	216
Other revenue			2	2
Interest revenue			15	15
			219	580
Less: Real estate carrying costs			31	46
			$ 188	$ 534

11. Contingent Liabilities

a) The corporation introduced the Guaranteed Operating Loan Program beginning April 1, 1983. The corporation guarantees each participating lending institution 12 1/2% of the respective total value of loans made under this program. As of March 31, 2002, the corporation's contingent liability amounted to $9,615,631 (2001 - $9,365,631). Based on management's best estimate of probable losses, the corporation has made a provision for this contingency in the amount of $1,977,450 (2001 - $2,264,063). The corporation adjusts the provision to the level regarded by management as appropriate through a current provision charged or credited to administration expenditure for the year.

b) The Manitoba Cattle Feeder Associations Loan Guarantee Program was introduced jointly by Manitoba Agriculture and Food and The Manitoba Agricultural Credit Corporation in November 1991. In September 1997, The Manitoba Agricultural Credit Corporation assumed responsibility for administration of the program. For each association, the corporation provides a guarantee to the lending institutions, based on 25% of the amount of the loan to a maximum guarantee of $1,250,000. As of March 31, 2002 the corporation's contingent liability amounted to $6,657,494 (2001 - $6,973,027). Based on management's best estimate of probable losses, a provision has been made for this contingency in the amount of $1,664,374 (2001 - $1,743,257).

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

11. Contingent Liabilities (continued)

c) The Diversification Loan Guarantee Program was introduced in December 1995, to provide guarantees on loans made by participating lenders, for diversification or farm value-added activities. As at March 31, 2002, the corporation's contingent liability under this program amounted to $17,785,514 (2001 - $19,033,264). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $2,667,826 (2001 - $2,854,989).

d) The Diversification Loan Guarantee Program was enhanced in 2001 eliminating lender pooling of guarantees and the maximum of $3,000,000 for qualifying loans. As at March 31, 2002, the corporation's contingent liability under the DLG+ program amounted to $10,595,163 (2001- Nil). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $1,589,273 (2001 - Nil).

e) The corporation has guaranteed performance bonds of certain agricultural marketing agencies in the amount of $248,422 (2001 - $243,842). No provision for this contingency has been made in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period the claims occur.

f) As at March 31, 2002 the corporation had approved but not disbursed mortgages and other loans in the amount of $16,868,220 (2001 - $20,727,006).

12. Real estate

Based on a review of its current real estate portfolio, the corporation has established a provision of $37,735 for 2002 (2001 - $72,255) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

		2002		2001
		(000s)		(000s)
Real Estate	**$**	**2,010**	$	2,256
Provision for decline in real estate values		**38**		72
	$	**1,972**	$	2,184

The Manitoba Agricultural Credit Corporation
Notes to the Financial Statements
As at March 31, 2002

13. Interest Paid and Received

During the year, the corporation received interest of $22,808,060 (2001- $21,195,029) and paid interest of $20,265,985 (2001 - $20,096,341).

14. Related Party Transactions

The corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

15. Revenue - Province of Manitoba

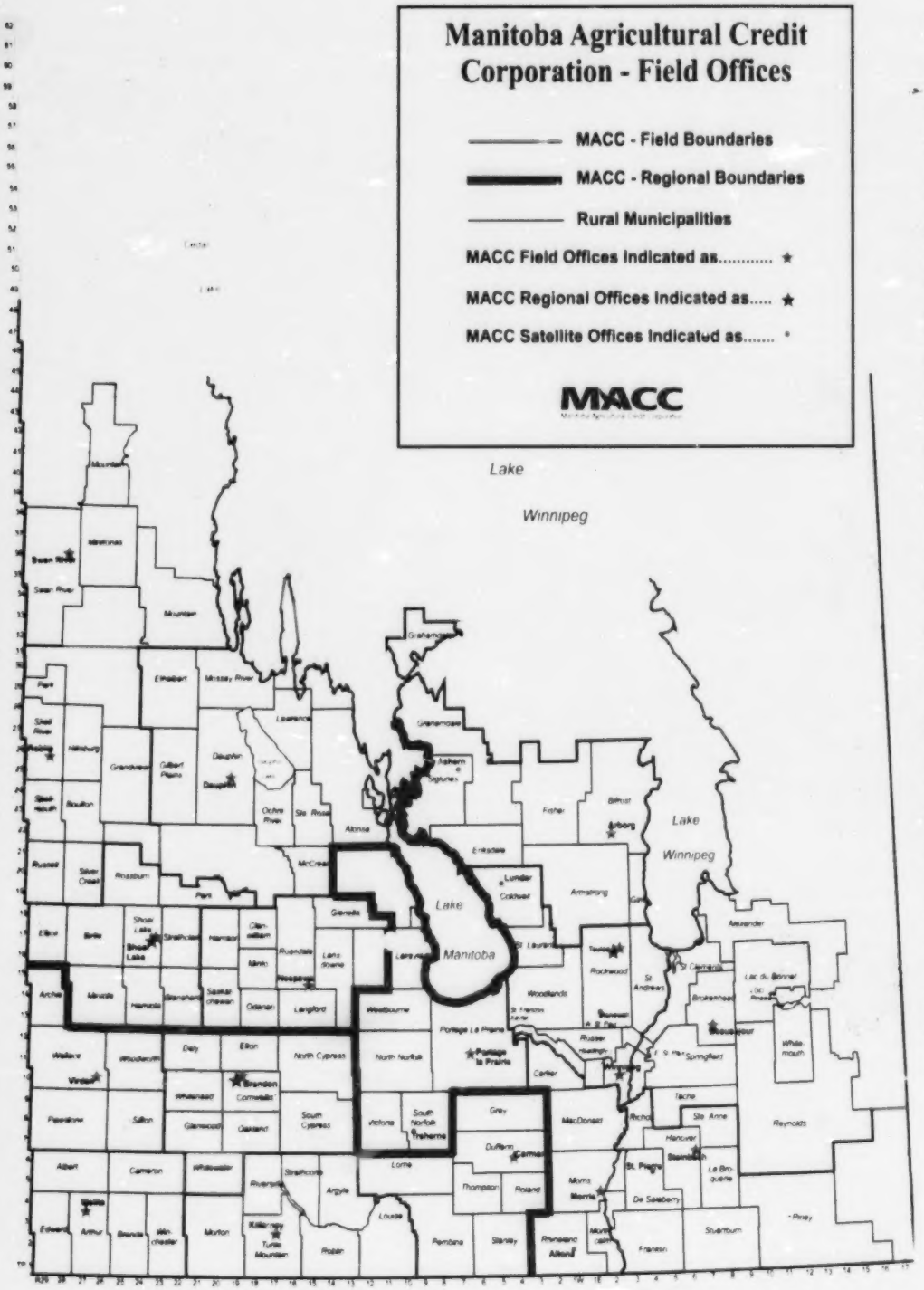
		2002		2001
		(000s)		(000s)
Grant	$	4,233	$	3,484
Increase in long-term funding commitment		406		348
	$	4,639	$	3,832

16. Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 financial statement presentation.

17. Economic Dependence

The corporation is economically dependent on the Province of Manitoba.



MACC Field Offices

Altona (Satellite)
Ag Rep Office,
Altona Mall — 324-2806

Arborg
317 River Road — 376-3305

Ashern (Satellite)
Ag Rep Office, Railway Street — 768-2686

Beausejour
20-1st Street S — 268-6016

Brandon
Unit 100 – 1525 1st Street S — 726-6018

Carman
65-3rd Avenue N.E — 745-5621

Dauphin
27-2nd Avenue S.W — 622-2016

Killarney
411 Broadway Avenue — 523-5270

Lundar (Satellite)
Ag Rep Office, Main Street — 762-5694

Melita
139 Main Street — 522-3443

Morris
229 Main Street S — 746-7506

Neepawa
41 Main Street — 476-5491

Portage la Prairie
2nd Floor, 25 Tupper Street N — 239-3357

Roblin
117-2nd Avenue N.W — 937-2453

St. Pierre (Satellite)
Municipal Building — 433-7749

Shoal Lake
4th Avenue E — 759-4063

Steinbach
323 Main Street — 346-6092

Stonewall (Satellite)
337 Main Street — 467-8391

Swan River
120-6th Avenue N — 734-3172

Teulon
77 Main Street — 886-2138

Treherne (Satellite)
163 Smith Street E — 723-2626

Virden
247 Wellington W. — 748-2559